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**NICOR GAS, Inc.**  
**Comparable Group Selection Methodology**

Companies in Value Line 2002	Ticker	Operating Revenue <sup>1</sup> (Rule: Reg>=80%)			Exclude for Merger	Total Capitalization in 2003 <sup>2</sup> (Exclude TotCap>=10Billion)		Dividends <sup>3</sup>	
		Reg	Non-Reg.	Include?		\$ mill	Include?	Pattern	Include?
1 Cascade Natural Gas	CGC	100%	0%	Yes		255.5	Yes	C	Yes
2 KeySpan Corp.	KSE	82%	18%	Yes		9,356.9	Yes	C	Yes
3 NICOR	GAS	88%	12%	Yes		1,251.5	Yes	I	Yes
4 Northwest Nat. Gas	NWN	97%	3%	Yes		1,006.6	Yes	I	Yes
5 Piedmont Natural Gas	PNY	100%	0%	Yes		1,090.2	Yes	I	Yes
6 Southwest Gas	SWX	84%	16%	Yes		1,851.6	Yes	C	Yes
7 SEMCO Energy	SEN	85%	15%	Yes		703.4	Yes	D	No
8 Southern Union	SUG	98%	2%	Yes		2,632.1	Yes	No	No
9 NUI Corp.	NUI	94%	6%	Yes	Yes	549.0	Yes	D	No
10 South Jersey Inds	SJI	76%	24%	Yes		608.4	Yes	I	Yes
11 Laclede Group	LG	74%	26%	No		605.0	Yes	I	Yes
12 Peoples Energy	PGL	71%	29%	No		1,592.3	Yes	I	Yes
13 WGL Holdings Inc	WGL	64%	36%	No		1,454.9	Yes	I	Yes
14 Energen Corp.	EGN	58%	42%	No		1,251.9	Yes	I	Yes
15 Atmos Energy	ATO	55%	45%	No		1,721.4	Yes	I	Yes
16 New Jersey Resources	NJR	30%	70%	No		676.8	Yes	I	Yes
17 UGI Corp	UGI	21%	79%	No		1,728.3	Yes	I	Yes
18 AGL Resources	ATG	95%	5%	Yes	Yes	1,901.4	Yes	I	Yes

Note: AGL Resources was eliminated from the group since it is acquiring NUI.

<sup>1</sup> From SEC Filings 10-K and Annual Reports Data for 2003.

<sup>2</sup> From The Value Line Investment Survey, Issue 3, June 18, 2004. Data of 2003

<sup>3</sup> From The Value Line Investment Survey, Issue 3, June 18, 2004. Data of 2003

As of or for the 12 months ended December 31, 2003					
In millions	Distribution Operations	Wholesale Services	Energy Investments	Corporate and Intersegment Eliminations	Consolidated AGL Resources
Operating revenues <sup>1</sup>	\$ 935.9	\$ 41.2	\$ 6.5	\$ 0.1	\$ 983.7
Depreciation and amortization	80.9	0.1	0.9	9.5	91.4
Gain (loss) on sale of Caroline Street campus <sup>2</sup>	21.5	—	—	(5.6)	15.9
Operating income (loss)	253.4	19.9	(4.9)	(10.1)	258.3
Interest income	0.1	—	0.2	0.1	0.4
Donation to private foundation	(8.0)	—	—	—	(8.0)
Earnings in equity interests	—	—	47.6	—	47.6
Other income (loss)	1.3	(0.3)	0.2	(1.4)	(0.2)
Total other income (loss)	(6.6)	(0.3)	48.0	(1.3)	39.8
EBIT	\$ 246.8	\$ 19.6	\$ 43.1	\$(11.4)	\$ 298.1
Identifiable assets	\$3,325.0	\$460.0	\$ 89.6	\$ 1.9	\$3,876.5
Investment in joint ventures	—	—	101.3	—	101.3
Total assets	\$3,325.0	\$460.0	\$190.9	\$ 1.9	\$3,977.8
Capital expenditures	\$ 125.8	\$ 1.7	\$ 8.2	\$ 22.7	\$ 158.4

As of or for the 12 months ended December 31, 2002					
In millions	Distribution Operations	Wholesale Services	Energy Investments	Corporate and Intersegment Eliminations	Consolidated AGL Resources
Operating revenues <sup>1</sup>	\$ 852.4	\$ 23.0	\$ 2.0	\$ (0.2)	\$ 877.2
Depreciation and amortization	82.0	—	0.3	6.8	89.1
Operating income (loss)	222.5	9.1	(6.5)	(8.6)	216.5
Interest income	0.5	—	0.1	—	0.6
Earnings in equity interests	—	—	27.2	—	27.2
Other income (loss)	1.4	—	2.8	(1.5)	2.7
Total other income (loss)	1.9	—	30.1	(1.5)	30.5
EBIT	\$ 224.4	\$ 9.1	\$ 23.6	\$(10.1)	\$ 247.0
Identifiable assets	\$3,149.8	\$364.3	\$107.2	\$ 45.9	\$3,667.2
Investment in joint ventures	—	—	74.8	—	74.8
Total assets	\$3,149.8	\$364.3	\$182.0	\$ 45.9	\$3,742.0
Capital expenditures	\$ 128.1	\$ 0.8	\$ 28.6	\$ 29.5	\$ 187.0

AGL  
Resources  
\$935.9 / \$983.7  
95.14%

	2003	2002	2001
Amounts as reported, reflecting stock-based employee compensation cost determined under APB No. 25			
Stock-based employee compensation cost, net of tax effect	\$ —	\$ —	\$ —
Net income (loss)	\$ 8,104	\$ 10,762	\$ 17,236
Basic earnings (loss) per share	\$ 0.82	\$ 0.97	\$ 1.58
Diluted earnings (loss) per share	\$ 0.82	\$ 0.97	\$ 1.58
Proforma amounts, reflecting stock-based employee compensation cost as if determined under fair value (FAS 123) method			
Stock-based employee compensation cost, net of tax effect	\$ 110	\$ 128	\$ 130
Net income (loss)	\$ 8,994	\$ 10,633	\$ 17,103
Basic earnings (loss) per share	\$ 0.81	\$ 0.96	\$ 1.55
Diluted earnings (loss) per share	\$ 0.81	\$ 0.96	\$ 1.55

**Comprehensive income (loss).** Comprehensive income for the fiscal years ended September 30, 2003, 2002, and 2001, included charges to Other Comprehensive Income in the amount of \$1,582,000, \$7,557,900 and \$4,151,030, net of income tax. The charges are related to minimum pension liability adjustments. See Note 10 for more information.

**Segment reporting.** Management views the Company as operating as a single segment, that of a local distribution company in the Pacific Northwest. Therefore, the financial statements do not include disclosure of segment information.

**Derivatives.** The Company records derivative transactions according to the provisions of FAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by FAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," and by FAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." These standards require that the fair value of all derivative financial instruments be recognized as either assets or liabilities on the Company's balance sheet. Changes during a period in the fair value of a derivative instrument are required to be included in earnings or other comprehensive income for the period.

The Company's contracts for purchase and sale of natural gas qualify for the normal purchase and normal sales exceptions under FAS No. 133. Accordingly, the Company recognizes revenues and expenses on a accrual basis, based on physical delivery of natural gas. The Company applies mark-to-market accounting to financial derivative arrangements. Periodic changes in fair market value are recognized in earnings.

Cascade  
Nat. Gas  
100%

## OUR BUSINESS SEGMENTS

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### GAS DISTRIBUTION

KeySpan is the largest gas distribution company in the Northeast with 2.5 million customers. Its subsidiaries include a number of companies operating under the KeySpan brand. KeySpan Energy Delivery New York provides gas distribution services to customers in the New York City boroughs of Brooklyn, Staten Island and a portion of Queens. KeySpan Energy Delivery Long Island provides similar services to customers on Long Island and the Rockaway Peninsula in Queens. Other subsidiaries, doing business as KeySpan Energy Delivery New England provide gas distribution services to customers in Massachusetts and New Hampshire.



### ELECTRIC SERVICES

KeySpan's electric services is the largest electric generator in New York State. We own and operate electric generation in New York City and Long Island with total capacity of approximately 6,600 megawatts, including a new 250 megawatt generating plant at the Company's Ravenswood facility – the first base-load generating facility built in New York City since deregulation. This business segment also manages Long Island's electric transmission and distribution system for 1.1 million customers under long-term contracts with the Long Island Power Authority.



### ENERGY SERVICES

The energy services segment markets services in the New York City metropolitan area as well as Rhode Island, Pennsylvania, Massachusetts and New Hampshire. Lines of business include KeySpan Home Energy Services, a group of energy product, repair and services companies for residential and small commercial customers and KeySpan Business Solutions, an integrated engineering, mechanical contracting and facility services company for large commercial and industrial customers.



### ENERGY INVESTMENTS

The energy investments segment consists of strategic investments in natural gas exploration and production, gas processing assets, pipeline transportation, distribution and storage. At year's end these investments primarily included a 55 percent ownership of The Houston Exploration Company, a 60 percent ownership in KeySpan Canada and a 20 percent interest in the Iroquois gas pipeline in the Northeast United States.

Keyspan  
81.91%

# Financial Information by Segment

(Millions)	2003	2002	2001	2000	1999	1998	1997
<b>Operating revenues</b>							
Gas distribution	\$ 2,351.6	\$ 1,590.7	\$ 2,090.8	\$ 1,880.3	\$ 1,326.0	\$ 1,019.0	\$ 1,019.0
Shipping	272.2	266.0	230.3	248.3	229.9	224.5	211.9
Other energy ventures	96.5	56.9	43.7	30.7	14.6	10.5	11.1
Corporate and eliminations	(57.6)	(16.2)	1.5	-	-	-	-
	<u>\$ 2,662.7</u>	<u>\$ 1,897.4</u>	<u>\$ 2,366.3</u>	<u>\$ 2,159.3</u>	<u>\$ 1,570.5</u>	<u>\$ 1,254.0</u>	<u>\$ 1,242.0</u>
<b>Operating income (loss)</b>							
Gas distribution	\$ 166.2	\$ 207.0	\$ 194.4	\$ 55.7	\$ 188.2	\$ 193.3	\$ 178.9
Shipping	22.7	21.2	19.1	26.2	22.5	28.1	28.4
Other energy ventures	7.9	6.4	6.8	6.7	5.4	(1.9)	(1.2)
Corporate and eliminations	(7.4)	(8.1)	(1.1)	(3.0)	(3.5)	(2.6)	(4.7)
	<u>\$ 189.4</u>	<u>\$ 226.5</u>	<u>\$ 219.2</u>	<u>\$ 85.6</u>	<u>\$ 212.6</u>	<u>\$ 216.9</u>	<u>\$ 236.6</u>
<b>Capital expenditures</b>							
Gas distribution	\$ 172.9	\$ 169.5	\$ 149.8	\$ 124.6	\$ 127.4	\$ 112.6	\$ 101.8
Shipping	5.9	19.6	34.8	33.8	26.0	23.3	10.9
Corporate and other	2.5	3.4	1.1	-	.6	.3	.3
	<u>\$ 181.3</u>	<u>\$ 192.5</u>	<u>\$ 185.7</u>	<u>\$ 158.4</u>	<u>\$ 154.0</u>	<u>\$ 136.2</u>	<u>\$ 113.0</u>
<b>Property, Plant and Equipment, net</b>							
Gas distribution (a)	\$ 2,345.2	\$ 2,273.0	\$ 2,195.7	\$ 2,142.1	\$ 2,105.5	\$ 2,062.8	\$ 2,034.9
Shipping	133.3	144.4	146.1	127.8	123.2	113.3	105.6
Corporate and other	5.7	4.4	1.8	1.0	1.3	.7	.3
	<u>\$ 2,484.2</u>	<u>\$ 2,421.8</u>	<u>\$ 2,343.6</u>	<u>\$ 2,270.9</u>	<u>\$ 2,230.0</u>	<u>\$ 2,176.8</u>	<u>\$ 2,140.8</u>
<b>Depreciation</b>							
Gas distribution	\$ 143.5	\$ 137.6	\$ 132.4	\$ 129.0	\$ 125.2	\$ 120.8	\$ 116.6
Shipping	16.9	16.9	16.1	15.8	16.1	15.4	14.2
Corporate and other	1.3	.5	.3	.3	.3	.3	.4
	<u>\$ 161.7</u>	<u>\$ 155.0</u>	<u>\$ 148.8</u>	<u>\$ 145.1</u>	<u>\$ 141.6</u>	<u>\$ 136.5</u>	<u>\$ 131.2</u>

## Mercury Reserve

(Millions)	2003	2002	2001	2000	
Initial mercury-related charge	\$ -	\$ -	\$ -	\$ 148.0	Nic
Mercury-related costs incurred, net	1.6	4.6	32.0	70.0	to i
Mercury-related credits	-	9.0	9.0	-	eq
Year-end estimated mercury liability	<u>\$ 21.9</u>	<u>\$ 23.4</u>	<u>\$ 37.0</u>	<u>\$ 78.0</u>	in i

(a) Reflects the reclassification of estimated removal cost obligation from accumulated depreciation to non-current liabilities.

NICOR Inc.  
88,322

For the years ended Dec. 31, 2003, 2002 and 2001, 77,500 shares, 84,000 shares and 138,491 shares, respectively, representing the number of stock options the exercise prices for which were greater than the average market prices for the Company's common stock for such years, were excluded from the calculation of diluted earnings per share because the effect was antidilutive.

#### Stock-Based Compensation

The Company applies APB Opinion No. 25, "Accounting for Stock Issued to Employees," to account for its stock-based compensation plans. Accordingly, the Company does not recognize compensation expense for the fair value of its stock option grants. Instead, the Company has elected to continue using the intrinsic value method of accounting for stock options rather than adopting the fair value method of accounting. However, the Company does recognize compensation expense for the fair value of stock awards granted under its Long-Term Incentive Plan and Non-Employee Directors Stock Compensation Plan in the period when shares are earned (see Note 4).

#### 2 CONSOLIDATED SUBSIDIARY OPERATIONS AND SEGMENT INFORMATION

At Dec. 31, 2003, the Company had two direct, wholly-owned subsidiaries, Financial Corporation and Northwest Energy. Northwest Energy was formed in 2001 to serve as the holding company for NW Natural and PGE if the acquisition of PGE had been completed. Since the acquisition of PGE has been terminated, Northwest Energy remains a non-active subsidiary of the Company.

The Company's core business is the distribution and sale of natural gas ("Utility" segment). Another segment, "Gas Storage," represents natural gas storage services provided to interstate customers, including asset optimization services under a contract with an independent energy trading company. The remaining business segment, "Other," primarily consists of non-regulated investments in alternative energy projects in California (see "Financial Corporation," below), a Boeing 737-300 aircraft leased to Continental Airlines and Northwest Energy's limited acquisition activities (see Note 9).

#### Gas Storage

Gas storage services are provided to off-system interstate customers using Company-owned storage capacity that has been developed in advance of core utility customers' (residential, commercial and industrial firm) requirements. NW Natural retains 80 percent of the income before tax from gas storage services and credits the remaining 20 percent to a deferred regulatory account for sharing with its core utility customers.

Results for the gas storage segment also include revenues, net of amounts shared with core utility customers, from a contract with an independent energy trading company that seeks to optimize the use of NW Natural's assets by trading temporarily unused portions of its gas storage capacity and upstream pipeline transportation capacity. NW Natural retains 80 percent of the pre-tax income from the optimization of storage and pipeline transportation capacity when the costs of such capacity have not been included in core utility rates, or 33 percent of the pre-tax income from such capacity when the costs have been included in core utility rates. The remaining 20 percent and 67 percent, respectively, are credited to a deferred regulatory account for distribution to NW Natural's core utility customers.

#### Segment Information Summary

The following table presents summary financial information about the reportable segments for 2003, 2002 and 2001. Inter-segment transactions are insignificant.

Thousands	Utility	Gas Storage	Other	Total
<b>2003</b>				
Net operating revenues	\$ 278,856	\$ 9,036	\$ 174	\$ 288,066
Depreciation and amortization	53,798	451	—	54,249
Other operating expenses	130,619	804	122	131,545
Income from operations	94,439	7,781	52	102,272
Income from financial investments	3,408	—	474	3,880
Net income	40,513	4,312	758	45,583
Total assets at Dec. 31, 2003	1,558,342	18,464	14,526	1,591,332
<b>2002</b>				
Net operating revenues	\$ 279,414	\$ 7,944	\$ 186	\$ 287,544
Depreciation and amortization	51,693	396	1	52,090
Other operating expenses	118,156	962	78	119,196
Income from operations	109,565	6,586	107	116,258
Income from financial investments	1,390	—	988	2,378
Loss provision for PGE transaction costs	—	—	(8,414)	(8,414)
Net income (loss)	47,288	3,646	(7,134)	43,792
Total assets at Dec. 31, 2002	1,432,776	16,403	18,098	1,467,277
<b>2001</b>				
Net operating revenues	\$ 271,473	\$ 4,363	\$ 170	\$ 276,006
Depreciation and amortization	49,413	227	—	49,640
Other operating expenses (income)	115,708	489	(37)	116,160
Income from operations	106,352	3,652	207	110,211
Income (loss) from financial investments	1,646	—	(321)	1,325
Net income	47,233	2,312	842	50,387
Total assets at Dec. 31, 2001	1,506,787	14,243	29,673	1,550,653

#### 3 CAPITAL STOCK:

##### Common Stock

At Dec. 31, 2003, NW Natural had reserved 134,240 shares of common stock for issuance under the Employee Stock Purchase Plan, 353,059 shares for future conversions of its 7-1/4% Convertible Debentures, 389,951 shares under its Dividend Reinvestment and Stock Purchase Plan, 1,751,544 shares under its Restated Stock Option Plan (see Note 4), and 3,000,000 shares under the Shareholder Rights Plan.

##### Redeemable Preferred Stock

On Nov. 14, 2003, NW Natural redeemed all of the remaining shares of its \$7.125 Series of Redeemable Preferred Stock with an aggregate stated value of \$7.5 million, at a redemption price equivalent to 102.375 percent with proceeds from sales of commercial paper. The Company re-financed the commercial paper with the sale of new long-term debt in the fourth quarter of 2003. The early redemption premium from the redemption of the \$7.125 Series was recognized as an unamortized cost pursuant to SFAS No. 71 and will be amortized to expense over the life of the new debt.

##### Redeemable Preference Stock

On Dec. 31, 2002, NW Natural redeemed all 250,000 shares of its \$6.95 Series of Redeemable Preference Stock with proceeds from the sale of commercial paper.

##### Stock Repurchase Program

NW Natural's Board of Directors approved a stock repurchase program in 2000 to purchase up to 2 million shares, or up to \$35 million in value, of NW Natural's common stock in the open market or through privately negotiated transactions. The repurchase program has been extended through May 2004. No shares were repurchased in 2002 or 2003. Since the program's inception, the Company has repurchased 355,400 shares of common stock at a total cost of \$8.2 million.

##### Restated Stock Option Plan

In May 2002, the shareholders approved an amendment to the Restated Stock Option Plan that increased the total number of shares authorized for option grants from 1,200,000 to 2,400,000.

NW Nat Gas  
96.8%

ents, including  
generating sys-  
tem house-  
hold income  
only.

Notes to Consolidated  
Financial Statements

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**Piedmont Energy Company**

Piedmont Energy Company owns 30% of the membership interests in SouthStar Energy Services LLC, a Delaware limited liability company. The remaining non-controlling 70% interest is owned by a subsidiary of AGL Resources, Inc. Key governance provisions in the LLC agreement require unanimous approval of the members. SouthStar sells natural gas to residential, commercial and industrial customers in the southeastern United States; however, SouthStar conducts most of its business in the unregulated retail gas market in Georgia.

The Operating Policy of SouthStar contains a provision for the disproportionate sharing of earnings in excess of a threshold per annum, cumulative pre-tax return of 17%. This threshold is not reached until all prior period losses are recovered. Earnings below the 17% return threshold are allocated to members based on their ownership percentages. Earnings above the threshold are allocated at various percentages based on actual margin generated in four defined geographic service areas. The earnings test is based on SouthStar's fiscal year ending December 31. As of October 31, 2003 and 2002, we recognized as equity earnings only the amounts that we believe have been earned as the calculation methodologies and interpretations of the Operating Policy that impact the members' disproportionate earnings sharing percentages had not been agreed to by the members. Accordingly, we recorded pre-tax earnings from SouthStar for the years ended October 31, 2003 and 2002, at overall percentages of 20% and 24%, respectively.

On December 31, 2003, we entered into an agreement in principle with the other member of SouthStar that addressed a number of matters under the LLC Agreement and the Operating Policy, including the resolution of certain disproportionate sharing issues. Based on this agreement in principle and consistent with the understandings reached by the members that are yet to be documented, we estimate that we will record an increase in pre-tax earnings from SouthStar of \$2,491,000 in the first quarter of our fiscal year 2004.

SouthStar utilizes financial contracts to hedge the variable cash flows associated with changes in the price of natural gas. These financial contracts, in the form of futures, options and swaps, are considered to be derivatives and fair value is based on selected market indices. Those derivative transactions that qualify as cash flow hedges are reflected in SouthStar's balance sheet at the fair values of the open positions, with the corresponding unrealized gain or loss included in "Accumulated other comprehensive income" under Statement 133 and Statement 149. Those derivative transactions that are not designated as hedges are reflected in SouthStar's balance sheet with the corresponding unrealized gain or loss included in cost of sales in SouthStar's income statement. SouthStar does not enter into or hold derivatives for trading or speculative purposes. SouthStar also enters into weather derivative contracts for hedging purposes in order to preserve margins in the event of warmer-than-normal weather in the winter months. These contracts are accounted for using the intrinsic value method under the guidelines of Emerging Issues Task Force Issue No. 99-2, "Accounting for Weather Derivatives."

Atlanta Gas Light Company (AGLC), under the terms of its tariffs with the Georgia Public Service Commission, has required SouthStar's members to guarantee SouthStar's ability to pay AGLC's fees for local delivery service. Piedmont Energy Company, through its parent Piedmont Energy Partners, has guaranteed its 30% share of SouthStar's obligation with AGLC with a letter of credit with a bank in the amount of \$15,000,000 that expires on July 30, 2004. On November 25, 2003, Piedmont Energy Company increased its guarantee with an additional letter of credit of \$3,108,000 that expires on August 4, 2004.

We have related party transactions with SouthStar which purchases wholesale gas supplies from us. For the years ended October 31, 2003, 2002 and 2001, such operating revenues totaled \$898,000, \$10,744,000 and \$12,192,000, respectively. As of October 31, 2003 and 2002, SouthStar owed us \$1,000 and \$1,162,000, respectively.

Summarized unaudited financial information provided to us by SouthStar for 100% of SouthStar as of and for the twelve months ended September 30, 2003, 2002 and 2001, is presented below.

<i>In thousands</i>	2003	2002	2001
Current assets	\$168,302	\$134,113	\$140,125
Non-current assets	1,099	1,228	2,688
Current liabilities	48,568	61,990	33,891
Non-current liabilities	—	—	35,464
Revenues	727,871	606,191	817,687
Gross profit	99,618	124,315	117,306
Income before income taxes	55,805	54,308	23,708

**Piedmont Greenbrier Pipeline Company**

As of October 31, 2003, Piedmont Greenbrier Pipeline Company, LLC, owned 33% of the membership interests in Greenbrier Pipeline Company, LLC (Greenbrier). The other member was a subsidiary of Dominion Resources, Inc. Greenbrier was formed to build an interstate gas pipeline from West Virginia to North Carolina. On November 6, 2003, we sold our interest in Greenbrier to Dominion Resources for our book value of \$9,199,000.

Piedmont  
100% Natural Gas

## notes to consolidated financial statements

**NOTE 11**  
**segment information**

Company operating segments are determined based on the nature of their activities. The natural gas operations segment is engaged in the business of purchasing, transporting, and distributing natural gas. Revenues are generated from the sale and transportation of natural gas. The construction services segment is engaged in the business of providing utility companies with trenching and installation, replacement, and maintenance services for energy distribution systems.

The accounting policies of the reported segments are the same as those described within Note 1 – Summary of Significant Accounting Policies. NPL accounts for the services provided to Southwest at contractual (market) prices. At December 31, 2003 and 2002, consolidated accounts receivable included \$5.8 million and \$6 million, respectively, which were not eliminated during consolidation.

The financial information pertaining to the natural gas operations and construction services segments for each of the three years in the period ended December 31, 2003 is as follows:

(thousands of dollars)

	<b>GAS OPERATIONS</b>	<b>CONSTRUCTION SERVICES</b>	<b>ADJUSTMENTS</b>	<b>TOTAL</b>
<b>2003</b>				
Revenues from unaffiliated customers	\$ 1,034,353	\$ 137,717		\$ 1,172,070
Intersegment sales	—	58,934		58,934
Total	\$ 1,034,353	\$ 196,651		\$ 1,231,004
Interest expense	\$ 78,931	\$ 855		\$ 79,786
Depreciation and amortization	\$ 120,791	\$ 15,648		\$ 136,439
Income tax expense	\$ 13,920	\$ 2,962		\$ 16,882
Segment income	\$ 34,211	\$ 4,291		\$ 38,502
Segment assets	\$ 2,528,332	\$ 79,774		\$ 2,608,106
Capital expenditures	\$ 228,288	\$ 12,383		\$ 240,671
<b>2002</b>				
Revenues from unaffiliated customers	\$ 1,115,900	\$ 134,625		\$ 1,250,525
Intersegment sales	—	70,384		70,384
Total	\$ 1,115,900	\$ 205,009		\$ 1,320,909
Interest expense	\$ 78,505	\$ 1,466		\$ 79,971
Depreciation and amortization	\$ 115,175	\$ 15,035		\$ 130,210
Income tax expense	\$ 18,493	\$ 2,924		\$ 21,417
Segment income	\$ 39,228	\$ 4,737		\$ 43,965
Segment assets	\$ 2,345,407	\$ 87,521		\$ 2,432,928
Capital expenditures	\$ 263,576	\$ 19,275		\$ 282,851

Southwest Gas  
84.03%



## NOTE 11. BUSINESS SEGMENTS

The Company follows SFAS 131, "Disclosure about Segments of an Enterprise and Related Information," which specifies standards for reporting information about operating segments ("business segments") in annual financial statements and requires selected information in interim financial statements. Business segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group, to make decisions on how to allocate resources and to assess performance. The Company's chief operating decision-making group is the Chief Executive Officer ("CEO") and certain other executive officers who report directly to the CEO. The operating segments are organized and managed separately because each segment offers different products or services. The Company evaluates the performance of its business segments based on the operating income generated. Operating income does not include income taxes, interest expense, discontinued operations, and non-operating income and expense items.

Under SFAS 131, an operating segment that does not exceed certain quantitative levels is not considered a reportable segment. Instead, the results of all segments that do not exceed the quantitative thresholds can be combined and reported as one segment and referred to as "all other." The Company's propane, pipelines and storage business segment and information technology services segment did not meet these quantitative thresholds and could have been grouped into the "all other" category. However, the Company has decided to voluntarily disclose information on these business segments.

The Company currently operates four reportable business segments. They are gas distribution, construction services, information technology services, and propane, pipelines and storage. Refer to Note 1 of the Notes to the Consolidated Financial Statements for a brief description of each business segment and information on the impairment of the construction services segment's goodwill and other assets. For information regarding the pending sale of a component of the gas distribution segment (Alaska Pipeline Company) and the decision to pursue the sale of the construction services segment, refer to Note 14 of the Notes to the Consolidated Financial Statements.

The accounting policies of the Company's four operating segments are the same as those described in Note 1 of the Notes to the Consolidated Financial Statements except that intercompany transactions have not been eliminated in determining individual segment results. The following table provides business segment information as well as a reconciliation ("Corporate and other") of the segment information to the applicable line in the consolidated financial statements. Corporate and other includes corporate related expenses not allocated to segments, intercompany eliminations and results of other smaller operations.

SEMCO  
84.88%

**SOUTHERN UNION COMPANY AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

The following table summarizes the Texas Operations' results of operations that have been segregated and reported as "discontinued operations" in the Consolidated Statement of Operations:

	Year Ended June 30,		
	2003	2002	2001
Operating revenues.....	\$ 144,490	\$ 309,936	\$ 471,002
Net operating margin (a) .....	\$ 51,480	\$ 105,730	\$ 109,016
Net earnings from discontinued operations (b).....	\$ 32,520	\$ 18,104	\$ 16,524

- (a) Net operating margin consists of operating revenues less gas purchase costs and revenue-related taxes.  
(b) Net earnings from discontinued operations do not include any allocation of interest expense or other corporate costs, in accordance with generally accepted accounting principles. All outstanding debt of Southern Union Company and subsidiaries is maintained at the corporate level, and no debt was assumed by ONEOK, Inc. in the sale of the Texas Operations.

**XX Quarterly Operations (Unaudited)**

Year Ended June 30, 2003	Quarter Ended				Total
	September 30	December 31	March 31	June 30	
Total operating revenues .....	\$ 99,710	\$ 346,104	\$ 535,663	\$ 207,030	\$ 1,188,507
Operating margin .....	54,464	118,031	161,400	89,516	423,411
Net earnings (loss) from continuing operations ..	(9,186)	18,519	46,234	(11,898)	43,669
Net earnings (loss) from discontinued operations	2,691	10,900	17,665	1,264	32,520
Net earnings (loss) available for common stock	(6,495)	29,419	63,899	(10,634)	76,189
Diluted net earnings (loss) per share: <sup>(1)</sup>					
Continuing operations .....	(.17)	.31	.79	(.20)	.74
Discontinued operations .....	.05	.19	.30	.02	.55
Available for common stock .....	(.12)	.50	1.09	(.18)	1.29

Year Ended June 30, 2002	Quarter Ended				Total
	September 30	December 31	March 31	June 30	
Total operating revenues .....	\$ 120,676	\$ 286,622	\$ 419,599	\$ 153,717	\$ 980,614
Operating margin .....	55,576	104,455	143,630	70,467	374,128
Net earnings (loss) from continuing operations ..	(29,906)	7,554	38,899	(15,027)	1,520
Net earnings (loss) from discontinued operations	(497)	12,196	4,889	1,516	18,104
Net earnings (loss) available for common stock	(30,403)	19,750	43,788	(13,511)	19,624
Diluted net earnings (loss) per share: <sup>(1)</sup>					
Continuing operations .....	(.51)	.14	.67	(.27)	.03
Discontinued operations .....	(.01)	.21	.07	.03	.30
Available for common stock .....	(.52)	.35	.74	(.24)	.33

- (1) The sum of earnings per share by quarter may not equal the net earnings per common and common share equivalents for the year due to variations in the weighted average common and common share equivalents outstanding used in computing such amounts.

**XXI Reportable Segments**

The Company's operations include two reportable segments. The Transportation and Storage segment is primarily engaged in the interstate transportation and storage of natural gas in the Midwest and Southwest, and also provides LNG terminalling and regasification services. Its operations are conducted through Panhandle Energy, which the Company acquired on June 11, 2003. The Distribution segment is primarily engaged in the local distribution of natural gas in Missouri, Pennsylvania, Rhode Island and Massachusetts. Its operations are conducted through the Company's three regulated utility divisor England Gas Company. The determination of reportable business characteristics, products and services, types of customers, methods

*Southern Union*  
*97.51%*

The components of post-retirement benefit expense other than pensions were as follows (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Service cost	\$326	\$264	\$224
Interest cost	1,425	1,451	1,476
Other	(408)	(161)	(164)
Net post-retirement expense	<u>\$1,343</u>	<u>\$1,554</u>	<u>\$1,536</u>

The health care trend rate assumption is 10.0 percent in 2003 gradually decreasing to 5.0 percent for the year 2008 and later. The discount rate used to compute the accumulated post-retirement benefit obligation was 6.00 percent in fiscal 2003 and 6.75 percent in fiscal 2002. An increase in the health care trend rate assumption by one percentage point in all years would increase the accumulated post-retirement benefit obligation by approximately \$2.5 million and the aggregate annual service and interest costs by approximately \$0.2 million.

The company continually evaluates alternative ways to manage these benefits and control its costs. Any changes in the plan or revisions to assumptions that affect the amount of expected future benefit may have a significant effect on the amount of the reported obligation and expense.

*Employee Stock Purchase Plan (ESPP).* The company allows eligible employees to purchase shares of the company's stock monthly at a price equal to 85 percent of the lower of the fair market value on the first and last trading days of the month, up to a maximum of 10 percent of their annual compensation. The company expenses this employee discount as compensation expense.

*Savings and Investment Plans (401(k)).* The company maintains a voluntary 401(k) savings plan designed to enhance existing retirement programs covering eligible employees. The plan allows eligible employees who participate to make contributions of up to six percent of their annual base pay, which are matched by contributions by the company. Contributions are invested at the election of the employee in the company's common stock or in various other investment funds. Effective October 1, 2002, the company increased the match to 60 percent of each employee's first 6 percent of salary contributions. Prior to that date, the company matched participant contributions that were invested in the NUI Stock Fund at 60 percent and in all other funds at 50 percent. Employer contributions charged to expense were \$1.3 million for the fiscal years ended September 30, 2003 and 2002, and \$1.2 million for the fiscal year ended September 30, 2001.

## 21. Business Segment Information

The company's operations are organized and managed as three primary segments: Distribution Services, Energy Asset Management (formerly Wholesale Energy Marketing and Trading), and Retail and Business Services. The Distribution Services segment currently distributes natural gas in three states through the company's regulated utility operations, and engages in appliance leasing, repair and maintenance operations, and off-system gas sales. The Energy Asset Management segment reflects the operations of NUI Energy Brokers and all of the VGC subsidiaries. The Retail and Business Services segment reflects the operations of the company's NUI Energy subsidiary, the billing services operations of UBS, and OAS, the company's digital mapping business, which used to be part of UBS. The company also has corporate operations that do not generate any revenues.

During fiscal 2003, the company realigned its reportable business segments as follows: the appliance service businesses in New Jersey and Florida, previously reported within the Retail included within the Distribution Services segment; off-system sales made by utility operations, previously reported within the Energy Asset Management Distribution Services segment; NUI Telecom, previously reported within the was being held for sale at September 30, 2003, and is now reported within the TIC are being wound down by the company and have also been reported as discontinued operations results of NUI Environmental, previously reported within the discontinued operations of the Retail and Business Services segment. The change for NUI Environmental, due to the company's potential future involvement in this business under the sale of the company on the date of the sale.

NUI  
94.36%

WP( D-6 ) 1 12/19  
South Jersey  
Industries

SJG deferred \$11.8 million resulting from a change in the the Gross Receipts & Franchise Tax in 1978 and is amortized straight-line basis to operations over 30 years beginning

#### 7. FINANCIAL INSTRUMENTS:

Restricted Investments -- In accordance with the terms of agreements, we were required to invest unused proceeds in liquid investments pending approved construction expenditures. For 2003 and 2002, these residual proceeds totaled \$0-0-0 respectively.

SJRG maintains a margin account with a national investment energy-trading activities. As of December 31, 2003, the balance was \$4.0 million due to changes in the market value of our

-28-

Long-Term Debt -- We estimate the fair values of SJJ's long-term debt, including current maturities, as of December 31, 2003 and 2002, to be \$338.6 million and \$336.0 million, respectively. Carrying amounts are \$314.1 million and \$284.8 million, respectively. We base the estimates on interest rates available to SJJ at the end of each year for debt with similar terms and maturities. SJJ retires debt when it is cost effective as permitted by the debt agreements.

Other Financial Instruments -- The carrying amounts of SJJ's other financial instruments approximate their fair values at December 31, 2003 and 2002.

#### 8. SEGMENTS OF BUSINESS:

Information about SJJ's operations in different industry segments is presented below:

	Thousands of Dollars		
	2003	2002	2001
Operating Revenues:			
Gas Utility Operations	\$ 528,066	\$ 417,262	\$ 475,462
Wholesale Gas Operations	10,580	4,998	6,144
Retail Gas and Other Operations	190,380	114,706	96,752
On-Site Energy Production	12,736	852	--
Subtotal	714,742	537,818	578,358
Intersegment Sales	(44,922)	(32,692)	(32,372)
Total Operating Revenues	\$ 696,820	\$ 505,126	\$ 545,986
Operating Income:			
Gas Utility Operations	\$ 65,420	\$ 60,874	\$ 60,463
Wholesale Gas Operations	4,998	4,280	4,628
Retail Gas and Other Operations	5,600	4,159	3,824
On-Site Energy Production	3,122	416	--
General Corporate	(1,297)	(654)	(371)
Total Operating Income	\$ 77,843	\$ 69,075	\$ 68,544
Depreciation and Amortization:			
Gas Utility Operations	\$ 26,627	\$ 24,730	\$ 23,332

## 15. OTHER INCOME AND INCOME DEDUCTIONS - NET

(Thousands)	2003	2002	2001
Allowance for Funds Used During Construction	\$ (107)	\$ (149)	\$ 749
Other Income	1,248	978	2,298
Other Income Deductions	(598)	(151)	(1,630)
Other Income and (Income Deductions) - Net	<u>\$ 543</u>	<u>\$ 678</u>	<u>\$ 1,417</u>

## 16. INFORMATION BY OPERATING SEGMENT

The Regulated Gas Distribution segment consists of the regulated operations of Laclede Gas and is the core business segment of Laclede Group. Laclede Gas is a public utility engaged in the retail distribution of natural gas serving an area in eastern Missouri, with a population of approximately 2.0 million, including the City of St. Louis, St. Louis County, and parts of eight other counties. The Non-Regulated Services segment includes the results of SM&P, an underground locating and marking business operating in the midwestern states, a wholly owned subsidiary of Laclede Group acquired on January 28, 2002. The Non-Regulated Gas Marketing segment includes the results of Laclede Energy Resources, Inc., a wholly owned subsidiary of Laclede Group as a result of the October 1, 2001 restructuring. Previously, LER's operations did not meet the quantitative thresholds to produce a reportable segment. Its operations are included as a reportable segment in the current period, and prior-period segment information has been reclassified. Non-Regulated Other includes the transportation of liquid propane, the sale of insurance related products, real estate development, the compression of natural gas, and financial investments in other enterprises. These operations are conducted through six wholly owned subsidiaries, five of which became subsidiaries of Laclede Group as a result of the restructuring on October 1, 2001, plus Laclede Energy Services, Inc. (LES), a wholly owned subsidiary of Laclede Group that became operational on May 1, 2002 and was dissolved on April 14, 2003. LES performed administrative gas supply and risk management services. The dissolution of LES had no material effect on the financial position or results of operations of Laclede Group. The results of SM&P's operations since January 28, 2002 and the results of LES' operations (while active) are included in Laclede Group's Consolidated Financial Statements. Certain intersegment revenues with Laclede Gas are not eliminated in accordance with the provisions of SFAS No. 71, "Accounting for the Effects of Certain Types of Regulation."

Laclede Gas  
73.76%

#### O. Recent Accounting Pronouncements Adopted within the Current Fiscal Year

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." It provides guidance on how an entity classifies and measures certain financial instruments with characteristics of both liabilities and equity. This statement is effective for financial instruments entered into or modified after May 31, 2003, and otherwise was generally effective for the fourth quarter ended September 30, 2003. The Company was not affected by this standard.

In April 2003, the FASB issued SFAS No. 149, "Amendment of SFAS No. 133 on Derivative Instruments and Hedging Activities." This statement amends and clarifies the accounting and reporting for derivative instruments, including embedded derivatives, and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." It amends SFAS No. 133 to reflect the decisions made as part of the Derivatives Implementation Group and in other FASB projects or deliberations. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. As of September 30, 2003 there have been no significant impacts on the Company from adopting SFAS No. 149. However, management expects that more transactions in the Midstream Services segment will be subject to mark-to-market accounting in fiscal 2004.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure." It is an amendment of SFAS No. 123 to provide alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation and Accounting Principles Board (APB) No. 28, Interim Financial Reporting. In addition, this statement allows companies to continue to report using the intrinsic method. It amends the disclosure requirements of SFAS No. 123 for reporting under the intrinsic method to require prominent disclosures in both annual and interim financial statements about the pro forma stock option expense. The Company has continued to report based on the intrinsic method and has more prominently disclosed pro forma stock option expense. (See Note 1G.)

In November 2002, the FASB issued FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others — an interpretation of SFAS Nos. 5, 57 and 107 and rescission of FIN 34." FIN 45 elaborates on the disclosures to be made by a guarantor in its interim and annual financial statements about its obligations under certain guarantees and in certain circumstances requires recognition of a liability for the fair value of the obligation undertaken in issuing the guarantee. The Company adopted the disclosure requirements of FIN 45 in the first quarter of fiscal 2003 (see Note 6). The recognition and measurement provisions of FIN 45 were effective for guarantees issued or modified after December 31, 2002, however, there was no impact on the Company.

On October 25, 2002, the FASB through EITF Issue 02-03, "Issues Involved in Accounting for Contracts under EITF 98-10," rescinded EITF 98-10, "Accounting for Contracts Involved in Energy Trading and Risk Management Activities." The rescission did not have an effect on the Company.

In July 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 requires an entity to record a liability and corresponding asset representing the present value of legal obligations associated with the retirement of tangible, long-lived assets. SFAS No. 143 is effective for fiscal years beginning after June 2002. The Company adopted the standard on October 1, 2002 and did not record any significant adjustments.

#### 2: Business Segments

The Company has six business segments: Gas Distribution, Power Generation, Midstream Services, Retail Energy Services, Oil and Gas Production and Other. Operating income also includes the effect of corporate activities and consolidating adjustments.

The Company has determined its business segments based on regulation and on type of products or services and activity related to those products or services, such as production versus marketing of natural gas. These segments are consistent with how the Company's senior management develops overall strategy for the Company. The financial performance of each segment is evaluated based on its operating income. The accounting policies of the six segments are the same as those described in Note 1A. No single customer represents more than 10 percent of consolidated revenues. All of the segments' reportable revenues are derived from sources within the United States and all segments' reportable long-lived assets are located in the United States.

The Gas Distribution segment is the Company's core business. Its two regulated utilities purchase, store, distribute, sell and transport natural gas to approximately one million retail customers through a 6,000-mile distribution system serving Chicago and 54 communities in northeastern Illinois. The Company also owns a storage facility in central Illinois and a pipeline system that connects the facility and seven major interstate pipelines to Chicago.

The Power Generation segment is engaged in the development, construction, operation and ownership of electric generation facilities for sales to electric utilities and marketers. The segment is a 50 percent investor in Elwood and a 27 percent investor in SCPP.

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Peoples  
Energy  
70.73%

**WGL Holdings, Inc.**  
**Washington Gas Light Company**  
 Part II

Item 8. Financial Statements and Supplementary Data (continued)  
*Notes to Consolidated Financial Statements (continued)*

**Financial Guarantees**

WGL Holdings and Washington Gas Resources are party to agreements naming them as the guarantor for certain purchases and sales of natural gas and electricity made by WGEServices. Total guarantees outstanding at September 30, 2003 were \$245.4 million, of which \$242.4 million and \$3.0 million of such guarantees named WGL Holdings and Washington Gas Resources as the guarantor, respectively. Of the total guarantees, there were \$42.0 million held by WGL Holdings that were due to expire December 31, 2004; the remaining \$203.4 million do not have specific maturity dates. As of October 31, 2003, total guarantees increased by \$45.9 million to \$291.3 million, of which \$288.3 million were guaranteed by WGL Holdings.

**16. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following table presents the carrying amounts and estimated fair values of the Company's financial instruments at September 30, 2003 and 2002. The fair value of a financial instrument represents the amount at which the instrument could be exchanged in a current transaction between willing parties.

<b>Fair Value of Financial Instruments</b>				
<i>(In millions)</i>	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Current assets	\$189.5	\$189.5	\$182.7	\$182.7
Current liabilities	375.5	375.5	326.4	326.4
Preferred stock	28.2	28.2	28.2	28.2
Long-term debt	637.1	722.9	668.0	725.5

Financial instruments included in current assets consist of cash and cash equivalents, net accounts receivable, accrued utility revenues, other miscellaneous receivables and the fair market value of WGEServices and Washington Gas instrument asset hedging derivatives. The carrying amount of the financial instruments included in current assets, current liabilities and preferred stock approximates fair value. The fair value of long-term debt (excluding current maturities of long-term debt) was estimated based on the quoted market prices of U.S. Treasury issues having a similar term to maturity, adjusted for Washington Gas' credit quality and the present value of future cash flows.

**17. OPERATING SEGMENT REPORTING**

In accordance with SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, the Company identifies and reports on operating segments under the "management approach." Operating segments comprise revenue-generating components of an enterprise for which the Company produces separate financial information internally that management regularly uses to make operating decisions and assess performance. The Company reports three operating segments: 1) regulated utility; 2) retail energy-marketing; and 3) HVAC.

With approximately 93 percent of WGL Holdings' assets, the regulated utility segment is the Company's core business. Represented almost entirely by Washington Gas, the regulated utility segment provides regulated gas distribution services (including reading, responding to customer inquiries and bill preparation) in Washington, D.C., Maryland and Virginia. In addition to th

WGL Holdings  
63.61%

<i>(in thousands)</i>	Year Ended December 31, 2003	Year Ended December 31, 2002	Ended December 31, 2001	Year Ended September 30, 2001
Future gross revenues	\$ 7,211,830	\$ 5,455,802	\$ 2,181,148	\$ 1,672,436
Future production costs	2,189,464	1,754,700	829,968	693,817
Future development costs	204,513	183,818	114,317	83,781
Future net cash flows before income taxes	4,817,853	3,517,284	1,236,863	894,838
Future income tax expense	1,609,324	1,100,392	265,611	124,803
Future net cash flows after income taxes	3,208,529	2,416,892	971,252	770,035
Discount at 10% per annum	1,635,450	1,172,635	399,810	272,493
Standardized measure of discounted future net cash flows relating to proved oil and gas reserves	\$ 1,573,079	\$ 1,244,257	\$ 571,442	\$ 497,542

Reserves and associated values were calculated using year-end prices and current costs. The following are the principal sources of changes in the standardized measure of discounted future net cash flows:

<i>(in thousands)</i>	Year Ended December 31, 2003	Year Ended December 31, 2002	Three Months Ended December 31, 2001	Year Ended September 30, 2001
Balance at beginning of year	\$ 1,244,257	\$ 571,442	\$ 497,542	\$ 1,105,265
Revisions to reserves proved in prior years:				
Net changes in prices, production costs and future development costs	365,816	658,956	100,710	(1,015,900)
Net changes due to revisions in quantity estimates	(14,804)	(8,380)	49,579	(81,076)
Development costs incurred, previously estimated	80,878	49,418	8,812	50,768
Accretion of discount	124,426	57,144	11,398	144,266
Other	39,134	(8,669)	(24,012)	95,165
Total revisions	595,450	748,469	146,487	(806,777)
New field discoveries and extensions, net of future production and development costs	200,880	213,625	5,562	33,685
Sales of oil and gas produced, net of production costs	(311,189)	(162,151)	(23,699)	(220,220)
Purchases	74,201	218,799	20	32,811
Sales	(48,107)	(14,203)	(2,271)	(26,256)
Net change in income taxes	(182,413)	(331,724)	(52,199)	379,034
Net change in standardized measure of discounted future net cash flows	328,822	672,815	73,900	(607,723)
Balance at end of year	\$ 1,573,079	\$ 1,244,257	\$ 571,442	\$ 497,542

## 21. INDUSTRY SEGMENT INFORMATION

The Company is principally engaged in two business segmen

Energizer  
Corp.  
58.07%



## ATMOS ENERGY CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

## 16. Supplemental Cash Flow Disclosures

Supplemental disclosures of cash flow information for 2003, 2002 and 2001 are presented below.

	2003	2002	2001
		(In thousands)	
Cash paid for interest .....	\$62,088	\$59,639	\$41,042
Cash paid for income taxes .....	\$ 408	\$16,588	\$16,808

In December 2002, we partially funded the acquisition of MVG through the issuance of \$74.7 million in Atmos Energy common stock consisting of 3,386,287 unregistered shares.

In June 2003, we contributed to the Atmos Energy Corporation Master Retirement Trust for the benefit of the Atmos Pension Account Plan 1,169,700 shares of Atmos restricted common stock with a value of \$28.8 million.

In April 2001, we completed the acquisition of the remaining 55 percent of Woodward Marketing, L.L.C that we did not already own in exchange for 1,423,193 restricted shares of our common stock with a value of \$26.7 million.

## 17. Segment Information

Atmos Energy Corporation and its subsidiaries are engaged primarily in the natural gas utility business as well as certain non-utility businesses. We distribute natural gas through sales and transportation arrangements to approximately 1.7 million residential, commercial, public authority and industrial customers through our six regulated utility divisions, which cover service areas located in 12 states. In addition, we transport natural gas for others through our distribution system.

Through our non-utility businesses, we provide natural gas management and marketing services to industrial customers, municipalities and other local distribution companies located in 18 states. We also supplement natural gas used by our customers through natural gas storage fields that we own or hold an interest in Kansas, Kentucky, Louisiana and Mississippi. We market natural gas to industrial customers primarily in West Texas and Louisiana. Finally, we construct electric power generating plants and associated facilities to meet peak load demands and lease or sell them to municipalities and industrial customers.

Our operations are divided into three segments:

- The utility segment, which includes our regulated natural gas distribution and sales operations,
- The natural gas marketing segment, which includes a variety of natural gas management services and
- The other non-utility segment, which includes all of our other non-utility operations.

Our determination of reportable segments considers the strategic operating units under which we manage sales of various products and services to customers in differing regulatory environments. The accounting policies of the segments are the same as those described in the summary of significant accounting policies. We

Atmos Energy  
55.46%

### 11. Business Segment Data

Information related to the Company's various business segments, excluding capital expenditures, which are presented in the Consolidated Statements of Cash Flows, is detailed below.

The Natural Gas Distribution segment consists of regulated energy and off-system and capacity management operations. The Energy Services segment consists of unregulated fuel and capacity management and wholesale marketing operations. The Retail and Other segment consists of appliance and installation services, commercial real estate development, investment and other corporate activities.

(Thousands)	2003	2002	2001
<b>Operating Revenues</b>			
Natural Gas Distribution	\$ 759,878	\$ 774,541	\$1,009,477
Energy Services	1,766,265	1,037,417	1,022,734
Retail and Other	21,927	19,711	21,474
Total before eliminations	2,548,070	1,831,669	2,053,685
Intersegment revenues	(3,691)	(165)	(5,277)
<b>Total</b>	<b>\$2,544,379</b>	<b>\$1,831,504</b>	<b>\$2,048,408</b>
<b>Depreciation and Amortization</b>			
Natural Gas Distribution	\$31,192	\$31,044	\$31,676
Energy Services	189	219	250
Retail and Other	584	581	604
<b>Total</b>	<b>\$31,965</b>	<b>\$31,844</b>	<b>\$32,530</b>
<b>Operating Income</b>			
Natural Gas Distribution	\$ 97,408	\$ 88,883	\$89,248
Energy Services	19,454	11,430	5,638
Retail and Other	4,489	4,442	5,034
<b>Total</b>	<b>\$121,351</b>	<b>\$104,755</b>	<b>\$99,920</b>

The Company's assets for the various business segments are detailed below:

(Thousands)	2003	2002
<b>Assets at Year-End</b>		
Natural Gas Distribution	\$1,285,894	\$1,059,417
Energy Services	213,253	276,471
Retail and Other	71,832	\$1,923
<b>Total</b>	<b>\$1,570,979</b>	<b>\$1,387,811</b>

### 12. Selected Quarterly Data (Unaudited)

A summary of financial data for each fiscal quarter of 2003 and 2002 follows. Due to the seasonal nature of the Company's businesses, quarterly amounts vary significantly during the year. In the opinion of management, the information furnished reflects all adjustments necessary for a fair presentation of the results of the interim periods.

(Thousands, except per share data)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
<b>2003</b>				
Operating revenues	\$668,779	\$1,152,851	\$369,660	\$353,089
Operating income	\$41,669	\$71,885	\$9,665	\$(1,868)
Net income	\$23,528	\$41,244	\$4,473	\$(3,628)
Earnings per share				
Basic	\$ .86	\$1.52	\$ .16	\$(.13)
Diluted	\$ .85	\$1.50	\$ .16	\$(.13)
<b>2002</b>				
Operating revenues	\$395,831	\$525,780	\$442,684	\$467,209
Operating income	\$34,847	\$59,425	\$9,725	\$758
Net income	\$19,681	\$34,930	\$4,764	\$(2,531)
Earnings per share				
Basic	\$ .74	\$1.30	\$ .18	\$(.09)
Diluted	\$ .73	\$1.29	\$ .17	\$(.09)

New Jersey  
Resources  
29.86%

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Millions of dollars, except per share amounts and where indicated otherwise)

## NOTE 21 - SEGMENT INFORMATION

We have organized our business units into five reportable segments generally based upon products sold, geographic location (domestic or international) or regulatory environment. Our reportable segments are: (1) AmeriGas Propane; (2) Gas Utility; (3) Electric Operations (comprising Electric Utility and UGID's electricity generation business); (4) Energy Services; and (5) an international propane segment comprising FLAGA and our international propane equity investments ("International Propane").

AmeriGas Propane derives its revenues principally from the sale of propane and related equipment and supplies to retail customers from locations in 46 states. Gas Utility's revenues are derived principally from the sale and distribution of natural gas to customers in eastern and southeastern Pennsylvania. Electric Operations derives its revenues principally from the sale and distribution of electricity in two northeastern Pennsylvania counties. Energy Services revenues are derived from the sale of natural gas and, to a lesser extent, electricity and fuel oil to customers located primarily in the Eastern region of the United States. Our International Propane segment's revenues are derived principally from the distribution of propane to retail customers in Austria, the Czech Republic and Slovakia.

The accounting policies of our reportable segments are the same as those described in Note 1. We evaluate AmeriGas Propane's performance principally based upon the Partnership's earnings before interest expense, income taxes, depreciation and amortization ("Partnership EBITDA"). Although we use Partnership EBITDA to evaluate AmeriGas Propane's profitability, it should not be considered as an alternative to net income (as an indicator of operating performance) or as an alternative to cash flow (as a measure of liquidity or ability to service debt obligations) and is not a measure of performance or financial condition under accounting principles generally accepted in the United States of America. The Company's definition of Partnership EBITDA may be different from that used by other companies. We evaluate the performance of our Gas Utility, Electric Operations, Energy Services and International Propane segments principally based upon their income (loss) before income taxes.

No single customer represents more than ten percent of our consolidated revenues and there are no significant intersegment transactions. In addition, all of our reportable segments' revenues, other than those of our International Propane segment, are derived from sources within the United States, and all of our reportable segments' long-lived assets, other than those of our International Propane segment, are located in the United States.

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 \text{UGI} \\
 20.78\% \text{ } \$628.70 \\
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 3026.1
 \end{array}$$



**A**ffordable  
Rates  
\$7 Trades

**B**ranch  
Offices  
215+ offices

**C**ustomer  
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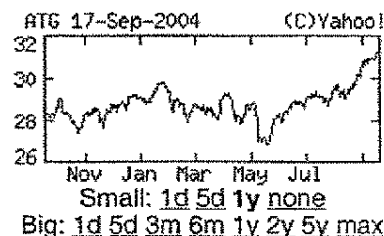
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**AGL RESOURCES (NYSE:ATG)** - Trade: [Choose Brokerage](#)

Last Trade 11:27am - <b>31.03</b>	Change -0.21 (-0.67%)	Prev Cls 31.24	Open 31.24	Volume 32,100
Day's Range 31.02 - 31.24	Bid N/A	Ask N/A	P/E 14.20	Mkt Cap 2.014B
52-wk Range 26.50 - 31.27	Bid Size N/A	Ask Size N/A	P/S 1.46	Avg Vol 213,045
1y Target Est 31.19	EPS (ttm) 2.20	EPS Est 2.10	Div/Shr 1.16	Div Date Sep 1
		PEG 2.98	Yield 3.71	Ex-Div Aug 11

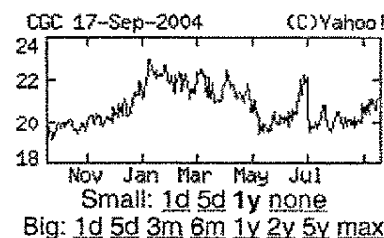


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**CASCADE NAT GAS (NYSE:CGC)** - Trade: [Choose Brokerage](#)

Last Trade 11:32am - <b>21.19</b>	Change +0.07 (+0.33%)	Prev Cls 21.12	Open 21.11	Volume 4,800
Day's Range 21.10 - 21.21	Bid N/A	Ask N/A	P/E 17.60	Mkt Cap 238.3M
52-wk Range 19.02 - 23.05	Bid Size N/A	Ask Size N/A	P/S 0.62	Avg Vol 41,363
1y Target Est N/A	EPS (ttm) 1.20	EPS Est 1.13	Div/Shr 0.96	Div Date Nov 15
		PEG 3.74	Yield 4.55	Ex-Div Oct 13

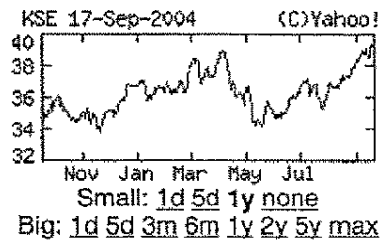


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**KEYSPAN CORP (NYSE:KSE) - Trade: [Choose Brokerage](#)**

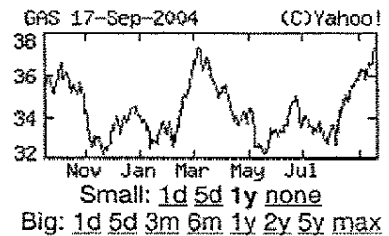
Last Trade 11:32am · <b>39.32</b>	Change -0.03 (-0.08%)	Prev Cls 39.35	Open 39.35	Volume 102,900
Day's Range 39.21 - 39.46	Bid N/A	Ask N/A	P/E 11.31	Mkt Cap 6.298B
52-wk Range 33.64 - 39.45	Bid Size N/A	Ask Size N/A	P/S 0.91	Div/Shr 1.78
1y Target Est 36.43	EPS (ttm) 3.48	EPS Est 2.62	PEG 3.00	Yield 4.52
				Ex-Div Oct 8
				Div Date Nov 1



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**NICOR INC (NYSE:GAS) - Trade: [Choose Brokerage](#)**

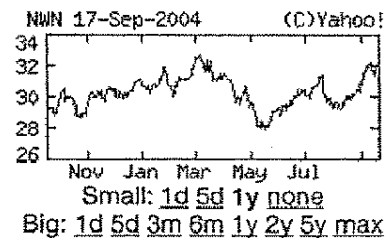
Last Trade 11:32am · <b>37.00</b>	Change -0.32 (-0.86%)	Prev Cls 37.32	Open 37.32	Volume 118,300
Day's Range 36.99 - 37.32	Bid N/A	Ask N/A	P/E 22.21	Mkt Cap 1.630B
52-wk Range 32.03 - 37.43	Bid Size N/A	Ask Size N/A	P/S 0.64	Div/Shr 1.86
1y Target Est 35.25	EPS (ttm) 1.68	EPS Est 2.21	PEG 7.35	Yield 4.98
				Ex-Div Sep 28
				Div Date Nov 1



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**NW NAT GAS CO (NYSE:NWN) - Trade: [Choose Brokerage](#)**

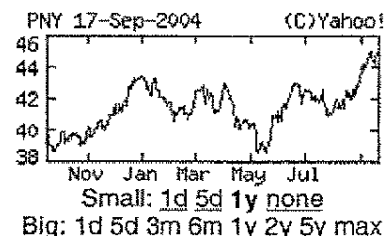
Last Trade 11:31am · <b>31.91</b>	Change -0.11 (-0.34%)	Prev Cls 32.02	Open 32.10	Volume 10,900
Day's Range 31.77 - 32.12	Bid N/A	Ask N/A	P/E 18.09	Mkt Cap 872.5M
52-wk Range 27.46 - 33.00	Bid Size N/A	Ask Size N/A	P/S 1.34	Div/Shr 1.30
1y Target Est 30.67	EPS (ttm) 1.77	EPS Est 1.83	PEG 4.07	Yield 4.06
				Ex-Div Jul 28
				Div Date Aug 13



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**PIEDMONT NATURAL (NYSE:PNY) - Trade: [Choose Brokerage](#)**

Last Trade 11:31am · <b>44.69</b>	Change -0.26 (-0.58%)	Prev Cls 44.95	Open 44.95	Volume 40,100
Day's Range 44.57 - 45.01	Bid N/A	Ask N/A	P/E 16.23	Mkt Cap 1.713B
52-wk Range 38.32 - 45.10	Bid Size N/A	Ask Size N/A	P/S 1.15	Div/Shr 1.72
1y Target Est	EPS (ttm)	EPS Est	PEG	Yield
				Ex-Div
				Div Date Oct 15



40.00

2.77

2.45

3.66

3.83

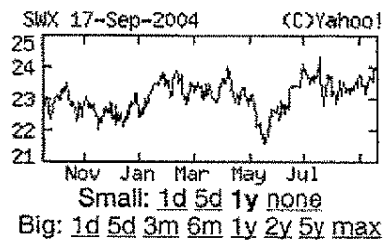
Sep 22

WP (D-6 - 2) 3/7

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**SOUTHWEST GAS CP (NYSE:SWX) - Trade: [Choose Brokerage](#)**

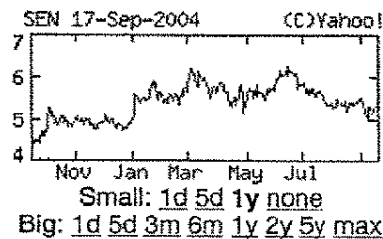
<b>Last Trade</b> 11:32am · <b>23.83</b>	<b>Change</b> -0.16 (-0.67%)	<b>Prev Cls</b> 23.99	<b>Open</b> 23.80	<b>Volume</b> 23,500
<b>Day's Range</b> 23.77 - 23.90	<b>Bid</b> N/A	<b>Ask</b> N/A	<b>P/E</b> 16.66	<b>Mkt Cap</b> 841.1M
<b>52-wk Range</b> 21.50 - 24.46	<b>Bid Size</b> N/A	<b>Ask Size</b> N/A	<b>P/S</b> 0.64	<b>Div/Shr</b> 0.82
<b>1y Target Est</b> 23.50	<b>EPS (ttm)</b> 1.44	<b>EPS Est</b> 1.53	<b>PEG</b> 5.06	<b>Yield</b> 3.42
				<b>Ex-Div</b> Aug 12



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**SEMCO ENERGY (NYSE:SEN) - Trade: [Choose Brokerage](#)**

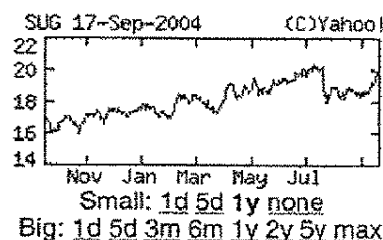
<b>Last Trade</b> 11:25am · <b>5.36</b>	<b>Change</b> +0.06 (+1.13%)	<b>Prev Cls</b> 5.30	<b>Open</b> 5.28	<b>Volume</b> 35,300
<b>Day's Range</b> 5.25 - 5.40	<b>Bid</b> N/A	<b>Ask</b> N/A	<b>P/E</b> N/A	<b>Mkt Cap</b> 151.8M
<b>52-wk Range</b> 4.36 - 6.38	<b>Bid Size</b> N/A	<b>Ask Size</b> N/A	<b>P/S</b> 0.28	<b>Div/Shr</b> 0.00
<b>1y Target Est</b> 5.50	<b>EPS (ttm)</b> -0.77	<b>EPS Est</b> 0.21	<b>PEG</b> 7.20	<b>Yield</b> N/A
				<b>Ex-Div</b> Apr 28



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**SOUTHERN UNION (NYSE:SUG) - Trade: [Choose Brokerage](#)**

<b>Last Trade</b> 11:32am · <b>19.80</b>	<b>Change</b> -0.18 (-0.90%)	<b>Prev Cls</b> 19.98	<b>Open</b> 19.98	<b>Volume</b> 172,500
<b>Day's Range</b> 19.73 - 19.98	<b>Bid</b> N/A	<b>Ask</b> N/A	<b>P/E</b> 15.31	<b>Mkt Cap</b> 1.784B
<b>52-wk Range</b> 15.8762 - 20.4762	<b>Bid Size</b> N/A	<b>Ask Size</b> N/A	<b>P/S</b> 1.05	<b>Div/Shr</b> 0.00
<b>1y Target Est</b> 22.61	<b>EPS (ttm)</b> 1.3048	<b>EPS Est</b> 1.32	<b>PEG</b> 1.97	<b>Yield</b> N/A
				<b>Ex-Div</b> Aug 18

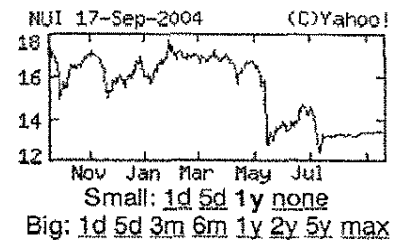


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**NUI CORP (NYSE:NUI) - Trade: [Choose Brokerage](#)**

<b>Last Trade</b> 11:32am · <b>13.40</b>	<b>Change</b> +0.01 (+0.07%)	<b>Prev Cls</b> 13.39	<b>Open</b> 13.42	<b>Volume</b> 142,500
<b>Day's Range</b> 13.39 - 13.42	<b>Bid</b> N/A	<b>Ask</b> N/A	<b>P/E</b> N/A	<b>Mkt Cap</b> 214.0M
<b>52-wk Range</b>	<b>Bid Size</b>	<b>Ask Size</b>	<b>P/S</b>	<b>Div/Shr</b>
				<b>Div Date</b>

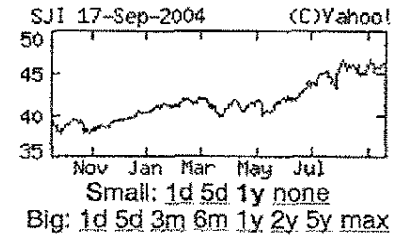
12.15 - 17.88	N/A	N/A	0.35	0.00	Mar 15
1y Target Est 14.00	EPS (ttm) -3.02	EPS Est 0.00	PEG N/A	Yield N/A	Ex-Div 3-Mar-04



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**SOUTH JERSEY IND (NYSE:SJI) - Trade: [Choose Brokerage](#)**

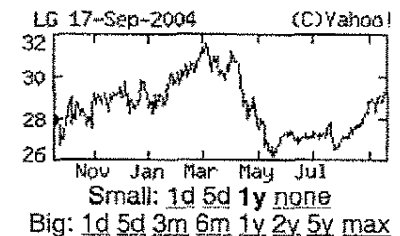
Last Trade 11:10am - 46.11	Change -0.14 (-0.30%)	Prev Cls 46.25	Open 46.25	Volume 4,100
Day's Range 46.02 - 46.25	Bid N/A	Ask N/A	P/E 16.46	Mkt Cap 635.9M
52-wk Range 37.73 - 46.95	Bid Size N/A	Ask Size N/A	P/S 0.85	Div/Shr 1.62
1y Target Est N/A	EPS (ttm) 2.81	EPS Est 2.85	PEG 3.24	Yield 3.50
				Ex-Div Sep 8



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**LACLEDE GP INC (NYSE:LG) - Trade: [Choose Brokerage](#)**

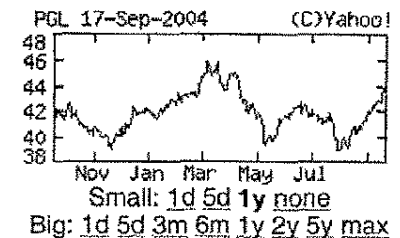
Last Trade 11:30am - 29.20	Change -0.07 (-0.24%)	Prev Cls 29.27	Open 29.24	Volume 5,600
Day's Range 29.12 - 29.29	Bid N/A	Ask N/A	P/E 15.09	Mkt Cap 612.6M
52-wk Range 26.05 - 31.87	Bid Size N/A	Ask Size N/A	P/S 0.51	Div/Shr 1.36
1y Target Est 29.00	EPS (ttm) 1.94	EPS Est 1.91	PEG 3.00	Yield 4.65
				Ex-Div Sep 8



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**PEOPLES ENERGY (NYSE:PGL) - Trade: [Choose Brokerage](#)**

Last Trade 11:28am - 42.89	Change -0.37 (-0.86%)	Prev Cls 43.80	Open 43.28	Volume 79,600
Day's Range 42.8364 - 43.33	Bid N/A	Ask N/A	P/E 17.66	Mkt Cap 1.614B
52-wk Range 38.50 - 46.03	Bid Size N/A	Ask Size N/A	P/S 0.74	Div/Shr 2.16
1y Target Est 38.50	EPS (ttm) 2.48	EPS Est 2.56	PEG 4.40	Yield 4.99
				Ex-Div Sep 20



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**WGL HOLDINGS (NYSE:WGL) - Trade: [Choose Brokerage](#)**